

**REPORT OF THE AUDIT OF THE
CARROLL COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2004**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CARROLL COUNTY FISCAL COURT

For the Year Ended June 30, 2004

The Auditor of Public Accounts has completed the audit of the Carroll County Fiscal Court for fiscal year ended June 30, 2004. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and aggregate remaining fund information financial statements of Carroll County, Kentucky.

Financial Condition:

The fiscal court had net assets of \$9,513,691 as of June 30, 2004. The fiscal court had unrestricted net assets of \$4,178,582 in its governmental activities as of June 30, 2004. In its enterprise fund, total net cash and cash equivalents were \$ 69,881.

Deposits:

As of June 30, 2004, the county's deposits were fully insured or collateralized.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Harold "Shorty" Tomlinson, Carroll County Judge/Executive
Members of the Carroll County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carroll County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Carroll County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Carroll County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carroll County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has implemented Governmental Accounting Standards Board Statements 33, 34, and 37 as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
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The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The Budgetary Comparison Information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Carroll County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated May 27, 2005, on our consideration of Carroll County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", written in a cursive style.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
May 27, 2005

CARROLL COUNTY OFFICIALS

For The Year Ended June 30, 2004

Fiscal Court Members:

Harold "Shorty" Tomlinson	County Judge/Executive
John Proctor	Magistrate
Dean Miller	Magistrate

Other Elected Officials:

James Monk	County Attorney
Michael Humphrey	Jailer
Marketta Brock	County Clerk
Laman Stark	Circuit Court Clerk
Charles Maiden, Jr.	Sheriff
David Robertson	Property Valuation Administrator
James Dunn	Coroner

Appointed Personnel:

Debra Cayton	County Treasurer
Traci Courtney	Occupational Tax Collector
Nicki Beckman	Finance Officer

CARROLL COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

CARROLL COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2004

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 4,178,582	\$ 69,881	\$ 4,248,463
Total Current Assets	4,178,582	69,881	4,248,463
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land	232,533		232,533
Buildings	4,041,312		4,041,312
Equipment	255,947		255,947
Vehicles	344,683		344,683
Infrastructure Assets - Net of Depreciation	1,290,753		1,290,753
Total Noncurrent Assets	6,165,228		6,165,228
Total Assets	10,343,810	69,881	10,413,691
LIABILITIES			
Current Liabilities:			
Bonds Payable	80,000		80,000
Total Current Liabilities	80,000		80,000
Noncurrent Liabilities:			
Bonds Payable	820,000		820,000
Total Noncurrent Liabilities	820,000		820,000
Total Liabilities	900,000		900,000
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	5,265,228		5,265,228
Unrestricted	4,178,582	69,881	4,248,463
Total Net Assets	\$ 9,443,810	\$ 69,881	\$ 9,513,691

The accompanying notes are an integral part of the financial statements.

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CARROLL COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004

CARROLL COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 935,565	\$ 123,800	\$ 117,397	\$
Protection to Persons and Property	2,223,355	1,179,038	65,830	49,086
General Health and Sanitation	464,478	2,415		163,730
Social Services	63,538			
Recreation and Culture	372,794	59,693		
Roads	763,099		584,544	
Airports	6,000			
Interest On Long Term Debt	32,457			
Capital Projects	39,185			
Total Governmental Activities	4,900,471	1,364,946	767,771	212,816
Business-type Activities:				
Jail Canteen	323,489	359,909		
Total Business-type Activities	323,489	359,909		
Total Primary Government	\$ 5,223,960	\$ 1,724,855	\$ 767,771	\$ 212,816

General Revenues:

Taxes:

 Real Property Taxes

 Personal Property Taxes

 Motor Vehicle Taxes

 Other Taxes

Excess Fees

Miscellaneous Revenues

Accrued Interest Received

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

CARROLL COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (694,368)	\$	\$ (694,368)
(929,401)		(929,401)
(298,333)		(298,333)
(63,538)		(63,538)
(313,101)		(313,101)
(178,555)		(178,555)
(6,000)		(6,000)
(32,457)		(32,457)
(39,185)		(39,185)
(2,554,938)		(2,554,938)
	36,420	36,420
	36,420	36,420
(2,554,938)	36,420	(2,518,518)
413,408		413,408
224,920		224,920
72,769		72,769
2,052,490		2,052,490
41,025		41,025
338,859		338,859
50,601		50,601
3,194,072		3,194,072
639,134	36,420	675,554
8,804,676	33,461	8,838,137
\$ 9,443,810	\$ 69,881	\$ 9,513,691

The accompanying notes are an integral part of the financial statements.

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CARROLL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

CARROLL COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2004

	General Fund	Road Fund	Jail Fund	Public Properties Corporation Fund
ASSETS				
Cash and Cash Equivalents	\$ 2,355,478	\$ 726,890	\$ 442,129	\$ 68,071
Total Assets	<u>\$ 2,355,478</u>	<u>\$ 726,890</u>	<u>\$ 442,129</u>	<u>\$ 68,071</u>
FUND BALANCES				
Unreserved:				
General Fund	\$ 2,355,478	\$	\$	\$
Special Revenue Funds		726,890	442,129	
Debt Service Fund				68,071
Total Fund Balances	<u>\$ 2,355,478</u>	<u>\$ 726,890</u>	<u>\$ 442,129</u>	<u>\$ 68,071</u>

The accompanying notes are an integral part of the financial statements.

CARROLL COUNTY
BALANCE SHEET – GOVERNMENTAL FUNDS – MODIFIED CASH BASIS
June 30, 2004
(Continued)

Ambulance Fund	Non-Major Governmental Funds	Total Governmental Funds
<u>\$ 92,560</u>	<u>\$ 493,454</u>	<u>\$ 4,178,582</u>
<u><u>\$ 92,560</u></u>	<u><u>\$ 493,454</u></u>	<u><u>\$ 4,178,582</u></u>
\$ 92,560	\$ 493,454	\$ 2,355,478
		1,755,033
		<u>68,071</u>
<u>\$ 92,560</u>	<u>\$ 493,454</u>	<u>\$ 4,178,582</u>

Reconciliation to Statement of Changes In Net Assets:

Total Fund Balances	\$ 4,178,582
Amounts reported for governmental activities in the statement of net sssets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	9,137,707
Accumulated Depreciation	(2,972,479)
Long-term debt is not due and payable in the current period and, therefore, is not reported in the funds.	
Bonded Debt	<u>(900,000)</u>
Net Assets Of Governmental Activities	<u><u>\$ 9,443,810</u></u>

The accompanying notes are an integral part of the financial statements.

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CARROLL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

CARROLL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	General Fund	Road Fund	Jail Fund	Public Properties Corporation Fund
REVENUES				
Taxes	\$ 2,763,587	\$	\$	\$
Excess Fees	41,025			
Intergovernmental	59,035	543,697	652,854	
Charges for Services	2,415		207,457	123,714
Miscellaneous	120,676	96,440	43,140	
Interest	33,986	4,908	6,919	149
Total Revenues	<u>3,020,724</u>	<u>645,045</u>	<u>910,370</u>	<u>123,863</u>
EXPENDITURES				
General Government	519,024			
Protection to Persons and Property	286,629		842,915	
General Health and Sanitation	211,307			
Social Services	56,316			
Recreation and Culture	68,500			
Roads		472,643		
Airports	6,000			
Debt Service				112,457
Capital Projects				
Administration	406,494	118,113	232,285	
Total Expenditures	<u>1,554,270</u>	<u>590,756</u>	<u>1,075,200</u>	<u>112,457</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>1,466,454</u>	<u>54,289</u>	<u>(164,830)</u>	<u>11,406</u>
Other Financing Sources (Uses)				
Transfers From Other Funds	3,181	362,605		
Transfers To Other Funds	(900,648)			(31)
Total Other Financing Sources (Uses)	<u>(897,467)</u>	<u>362,605</u>		<u>(31)</u>
Net Change in Fund Balances	568,987	416,894	(164,830)	11,375
Fund Balances - Beginning	1,786,491	309,996	606,959	56,696
Fund Balances - Ending	<u>\$ 2,355,478</u>	<u>\$ 726,890</u>	<u>\$ 442,129</u>	<u>\$ 68,071</u>

The accompanying notes are an integral part of the financial statements.

CARROLL COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Ambulance Fund	Non-Major Governmental Funds	Total Governmental Funds
\$	\$ 72,700	\$ 2,836,287
		41,025
	310,116	1,565,702
375,907	59,693	769,186
2,636	13,910	276,802
322	4,318	50,602
<u>378,865</u>	<u>460,737</u>	<u>5,539,604</u>
		519,024
442,750	172,578	1,744,872
	236,987	448,294
		56,316
	284,388	352,888
		472,643
		6,000
		112,457
	39,184	39,184
160,705	35,955	953,552
<u>603,455</u>	<u>769,092</u>	<u>4,705,230</u>
<u>(224,590)</u>	<u>(308,355)</u>	<u>834,374</u>
198,800	339,243	903,829
	(3,150)	(903,829)
<u>198,800</u>	<u>336,093</u>	
(25,790)	27,738	834,374
118,350	465,716	3,344,208
<u>\$ 92,560</u>	<u>\$ 493,454</u>	<u>\$ 4,178,582</u>

The accompanying notes are an integral part of the financial statements.

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CARROLL COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

CARROLL COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

Reconciliation to the Statement of Activities:

Net Change in Fund Balances - Total Governmental Funds	\$	834,374
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Amounts reported for governmental activities in the Statement of
 Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay		127,418
Depreciation expense		(402,658)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal on long-term debt consumes the current financial resources of governmental funds.

These transactions, however, have no effect on net assets.

Bond Payments		80,000
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Change in Net Assets of Governmental Activities	\$	639,134
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CARROLL COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

CARROLL COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2004

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 69,881
Total Assets	<u>69,881</u>
 Net Assets	
Unrestricted	69,881
Total Net Assets	<u><u>\$ 69,881</u></u>

The accompanying notes are an integral part of the financial statements.

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CARROLL COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

CARROLL COUNTY
STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	Enterprise Fund
	Jail Canteen Fund
Operating Revenues	
Canteen Receipts	\$ 359,909
Total Operating Revenues	<u>359,909</u>
Operating Expenses	
Cost of Sales	87,539
Educational and Recreational	21,529
Inmate Fees	<u>210,980</u>
Total Operating Expenses	<u>320,048</u>
Operating Income	<u>39,861</u>
Nonoperating Revenues (Expenses)	
Inmate Refunds	<u>(3,441)</u>
Total Nonoperating Revenues (Expenses)	<u>(3,441)</u>
Change In Net Assets	36,420
Total Net Assets - Beginning	<u>33,461</u>
Total Net Assets - Ending	<u><u>\$ 69,881</u></u>

The accompanying notes are an integral part of the financial statements.

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CARROLL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

CARROLL COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Cash Flows From Operating Activities	
Canteen Receipts	\$ 359,909
Cost of Sales	(87,539)
Educational and Recreational	(21,529)
Inmate Fees	<u>(210,980)</u>
Net Cash Provided By Operating Activities	<u>39,861</u>
Cash Flows From Noncapital Financing Activities	
Inmate Refunds on Accounts	<u>(3,441)</u>
Net Cash Provided By Noncapital Financing Activities	<u>(3,441)</u>
Net Increase in Cash and Cash Equivalents	36,420
Cash and Cash Equivalents - July 1, 2003	<u>33,461</u>
Cash and Cash Equivalents - June 30, 2004	<u><u>\$ 69,881</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	<u>\$ 39,861</u>
Total Cash Provided By Operating Activities	<u><u>\$ 39,861</u></u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2004

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets among other items are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances, if any, are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Carroll County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. The reporting entity includes no organizations that are legally separate from the primary government.

C. Carroll County Elected Officials Not Part Of Carroll County, Kentucky

Kentucky law provides for election of the officials below from the geographic area constituting Carroll County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Carroll County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

Ambulance Fund - This fund is used to account for the county emergency medical services activities. Revenues are received from patients and transfers from the General Fund.

Public Properties Corporation Fund - The purpose of this fund is to account for debt service requirements of revenue bonds of the fiscal court. The Governor's Office for Local Development does not require the fiscal court to report or budget these funds.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, State Grants Fund, Federal Grants Fund, Solid Waste Fund, Parks and Recreation Fund, 911 Fund, and 911 Wireless Fund.

The Road Fund, Jail Fund, Local Government Economic Assistance Fund, State Grants Fund, Federal Grants Fund, Ambulance Fund, Solid Waste Fund, Park and Recreation Fund, 911 Fund, and 911 Wireless Fund are special revenue funds. These funds are used to account for the proceeds of specific revenues and expenditures that are legally restricted for specific purposes. The Public Properties Corporation Fund is a debt service fund and is used to account for the accumulation of resources for and payment of general long-term debt principal and interest.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, subject to lien and sale the 3rd Saturday in April following the delinquency date.

**CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed. Carroll County has chosen to report current infrastructure additions and infrastructure in place prior to the current year. Such infrastructure is valued based on estimated historical cost.

Cost of normal maintenance and repairs that does not add to the value of the asset or materially extend the asset's life is not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 5,000	3-25
Vehicles	\$ 5,000	3-25
Infrastructure	\$ 20,000	10-25

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations is reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004
(Continued)**

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

Formal budgets are not adopted for the Public Properties Corporation Fund because bond indentures and other relevant contractual provisions require specific payments to and from this fund annually and transfers are budgeted in the General Fund to comply with these requirements. The Governor's Office for Local Development does not require this fund to be budgeted.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Note 2. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. However, as of August 31, 2003, the collateral and the FDIC insurance together did not equal or exceed the amount on deposit, leaving \$14,598 of public funds uninsured and unsecured.

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 232,533	\$	\$	\$ 232,533
Total Capital Assets Not Being Depreciated	232,533			232,533
Capital Assets, Being Depreciated:				
Buildings	5,333,000			5,333,000
Equipment	324,166	57,829		381,995
Vehicles	730,062			730,062
Infrastructure	2,390,528	69,589		2,460,117
Total Capital Assets Being Depreciated	8,777,756	127,418		8,905,174
Less Accumulated Depreciation For:				
Buildings	(1,183,016)	(108,672)		(1,291,688)
Equipment	(102,637)	(23,411)		(126,048)
Vehicles	(322,279)	(63,100)		(385,379)
Infrastructure	(961,889)	(207,475)		(1,169,364)
Total Accumulated Depreciation	(2,569,821)	(402,658)		(2,972,479)
Total Capital Assets, Being Depreciated, Net	6,207,935	(275,240)		5,932,695
Governmental Activities Capital Assets, Net	\$ 6,440,468	\$ (275,240)	\$ 0	\$ 6,165,228

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 6,275
General Health And Sanitation	914
Protection to Persons and Property	136,273
Recreation and Culture	10,042
Social Services	7,222
Roads, Including Depreciation of General Infrastructure Assets	<u>241,932</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 402,658</u>

Note 4. Short-term Debt

In July 2003, Carroll County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$1,211,900, with principal being due in January 2004. While the County did not use the borrowed funds in order to meet current General Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky Advance Revenue Program of \$355.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Kentucky Advance Revenue Program	<u>\$ 0</u>	<u>\$ 1,221,900</u>	<u>\$1,221,900</u>	<u>\$ 0</u>
Governmental Activities				
Short-term Liabilities	<u>\$ 0</u>	<u>\$ 1,221,900</u>	<u>\$ 1,221,900</u>	<u>\$ 0</u>

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Note 5. Long-term Debt

Bonds outstanding of the Carroll County Public Properties Corporation Fund are:

Fiscal Year Ended June 30	Governmental Activities	
	Interest	Principal
2005	\$ 28,970	\$ 80,000
2006	27,370	80,000
2007	25,450	80,000
2008	23,250	85,000
2009	20,700	85,000
2010-2014	66,835	490,000
Totals	\$ 192,575	\$ 900,000

Long-term liability activity for the year ended June 30, 2004, was as follows:

Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
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Governmental Activities:

General Obligation Bonds	\$ 980,000	\$	\$ 80,000	\$ 900,000	\$ 80,000
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Note 6. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

CARROLL COUNTY
NOTES TO FINANCIAL STATEMENTS
FISCAL YEAR ENDED JUNE 30, 2004
(Continued)

Note 7. Insurance

For the fiscal year ended June 30, 2004, Carroll County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Changes in Accounting Principles and Prior Period Adjustments

The county has implemented Governmental Accounting Standards Board (GASB) Statements 33, 34 and 37, as they relate to the modified cash basis of accounting as described in Note 1, which has altered the format and content of the basic financial statements. The effect of this change on the beginning net assets of the governmental activities is an increase of \$ 5,460,468 due to capital assets previously not reported, and the effect of long-term debt.

Note 9. Estimated Infrastructure Historical Cost

Infrastructure historical cost is an estimate. The primary government estimated the year infrastructure was built by determining when a major construction or reconstruction had been done on infrastructure. Then current year construction cost was deflated back to this estimated year of construction or reconstruction to arrive at estimated historical cost.

CARROLL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004

CARROLL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2004

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,221,500	\$ 2,221,500	\$ 2,763,587	\$ 542,087
Excess Fees	21,339	21,339	41,025	19,686
Intergovernmental Revenue	68,786	68,786	59,035	(9,751)
Charges for Services	3,500	3,500	2,415	(1,085)
Miscellaneous	66,500	86,425	120,676	34,251
Interest	19,500	19,500	33,986	14,486
Total Revenues	<u>2,401,125</u>	<u>2,421,050</u>	<u>3,020,724</u>	<u>599,674</u>
EXPENDITURES				
General Government	664,324	681,438	519,024	162,414
Protection to Persons and Property	296,243	314,009	286,629	27,380
General Health and Sanitation	242,614	244,424	211,307	33,117
Social Services	64,550	67,750	56,316	11,434
Recreation and Culture	85,976	86,876	68,500	18,376
Bus Services	6,000	6,000	6,000	
Debt Service	1,221,900	1,221,900	1,221,900	
Administration	1,322,770	1,305,055	406,494	898,561
Total Expenditures	<u>3,904,377</u>	<u>3,927,452</u>	<u>2,776,170</u>	<u>1,151,282</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(1,503,252)</u>	<u>(1,506,402)</u>	<u>244,554</u>	<u>1,750,956</u>
OTHER FINANCING SOURCES (USES)				
KARP Proceeds	1,221,900	1,221,900	1,221,900	
Transfers From Other Funds		3,150	3,181	31
Transfers To Other Funds	<u>(900,648)</u>	<u>(900,648)</u>	<u>(900,648)</u>	
Total Other Financing Sources (Uses)	<u>321,252</u>	<u>324,402</u>	<u>324,433</u>	<u>31</u>
Net Changes in Fund Balance	(1,182,000)	(1,182,000)	568,987	1,750,987
Fund Balance - Beginning	<u>1,182,000</u>	<u>1,182,000</u>	<u>1,786,491</u>	<u>604,491</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,355,478</u>	<u>\$ 2,355,478</u>

CARROLL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

	ROAD FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 471,196	\$ 528,484	\$ 543,697	\$ 15,213
Miscellaneous	1,500	33,025	96,440	63,415
Interest	5,000	5,000	4,908	(92)
Total Revenues	477,696	566,509	645,045	78,536
EXPENDITURES				
Roads	810,401	901,194	472,643	428,551
Administration	229,900	227,920	118,113	109,807
Total Expenditures	1,040,301	1,129,114	590,756	538,358
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(562,605)	(562,605)	54,289	616,894
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	362,605	362,605	362,605	
Total Other Financing Sources (Uses)	362,605	362,605	362,605	
Net Changes in Fund Balance	(200,000)	(200,000)	416,894	616,894
Fund Balance - Beginning	200,000	200,000	309,996	109,996
Fund Balance - Ending	\$ 0	\$ 0	\$ 726,890	\$ 726,890

CARROLL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
REVENUES				
Intergovernmental Revenue	\$ 891,011	\$ 891,011	\$ 652,854	\$ (238,157)
Charges for Services	134,000	134,000	207,457	73,457
Miscellaneous	144,000	144,000	43,140	(100,860)
Interest	4,700	4,700	6,919	2,219
Total Revenues	<u>1,173,711</u>	<u>1,173,711</u>	<u>910,370</u>	<u>(263,341)</u>
EXPENDITURES				
Protection to Persons and Property	942,818	948,772	842,915	105,857
Administration	685,967	680,013	232,285	447,728
Total Expenditures	<u>1,628,785</u>	<u>1,628,785</u>	<u>1,075,200</u>	<u>553,585</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(455,074)</u>	<u>(455,074)</u>	<u>(164,830)</u>	<u>290,244</u>
Net Changes in Fund Balance	(455,074)	(455,074)	(164,830)	290,244
Fund Balance - Beginning	<u>455,074</u>	<u>455,074</u>	<u>606,959</u>	<u>151,885</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ (0)</u>	<u>\$ 442,129</u>	<u>\$ 442,129</u>

CARROLL COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2004
(Continued)

AMBULANCE FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Charges for Services	\$ 360,000	\$ 360,000	\$ 375,907	\$ 15,907
Miscellaneous	200	1,200	2,636	1,436
Interest	200	200	322	122
Total Revenues	360,400	361,400	378,865	17,465
EXPENDITURES				
Protection to Persons and Property	484,700	484,700	442,750	41,950
Administration	174,500	175,500	160,705	14,795
Total Expenditures	659,200	660,200	603,455	56,745
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(298,800)	(298,800)	(224,590)	74,210
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	198,800	198,800	198,800	
Total Other Financing Sources (Uses)	198,800	198,800	198,800	
Net Changes in Fund Balances	(100,000)	(100,000)	(25,790)	74,210
Fund Balances - Beginning	100,000	100,000	118,350	18,350
Fund Balances - Ending	\$ 0	\$ 0	\$ 92,560	\$ 92,560

CARROLL COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2004

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Reconciliation of the Budgetary Comparison Schedule - General Fund
to the Statement of Revenues, Expenditures, and Changes
in Fund Balance**

Total Expenditures - Budgetary Basis	\$ 2,776,170
Less: Debt service - KARP proceeds	<u>(1,221,900)</u>
Total Expenditures - Modified Cash Basis	<u><u>\$ 1,554,270</u></u>
Total Other Financing Sources (Uses) - Budgetary Basis	\$ 324,433
Less: KARP Proceeds	<u>(1,221,900)</u>
Total Other Financing Sources (Uses) - Modified Cash Basis	<u><u>\$ (897,467)</u></u>

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CARROLL COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2004

CARROLL COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2004

	<u>LGEA Fund</u>	<u>State Grants Fund</u>	<u>Solid Waste Fund</u>	<u>Parks and Recreation Fund</u>
ASSETS				
Cash and Cash Equivalents	\$ 327,175	\$ 19,276	\$ 41,981	\$ 23,651
Total Assets	<u>\$ 327,175</u>	<u>\$ 19,276</u>	<u>\$ 41,981</u>	<u>\$ 23,651</u>
FUND BALANCES				
Unreserved:				
Special Revenue Funds	<u>\$ 327,175</u>	<u>\$ 19,276</u>	<u>\$ 41,981</u>	<u>\$ 23,651</u>
Total Fund Balances	<u>\$ 327,175</u>	<u>\$ 19,276</u>	<u>\$ 41,981</u>	<u>\$ 23,651</u>

CARROLL COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2004
(Continued)

911 Fund	911 Wireless Fund	Total Non-Major Governmental Funds
\$ 37,081	\$ 44,290	\$ 493,454
<u>\$ 37,081</u>	<u>\$ 44,290</u>	<u>\$ 493,454</u>
<u><u>\$ 37,081</u></u>	<u><u>\$ 44,290</u></u>	<u><u>\$ 493,454</u></u>
\$ 37,081	\$ 44,290	\$ 493,454
<u>\$ 37,081</u>	<u>\$ 44,290</u>	<u>\$ 493,454</u>
<u><u>\$ 37,081</u></u>	<u><u>\$ 44,290</u></u>	<u><u>\$ 493,454</u></u>

CARROLL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2004

CARROLL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2004

	LGEA Fund	Federal Grants Fund	State Grants Fund	Solid Waste Fund
REVENUES				
Taxes	\$	\$	\$	\$
Intergovernmental	40,847	163,730	46,235	13,457
Charges for Services				
Miscellaneous				3,848
Interest	1,225			153
Total Revenues	<u>42,072</u>	<u>163,730</u>	<u>46,235</u>	<u>17,458</u>
EXPENDITURES				
Protection to Persons and Property	13,077		26,247	
General Health and Sanitation		163,730	25,197	48,060
Recreation and Culture	107,313		8,385	
Capital Projects	39,184			
Administration	3,772			15,270
Total Expenditures	<u>163,346</u>	<u>163,730</u>	<u>59,829</u>	<u>63,330</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(121,274)</u>		<u>(13,594)</u>	<u>(45,872)</u>
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	186,838			53,078
Transfers To Other Funds				
Total Other Financing Sources (Uses)	<u>186,838</u>			<u>53,078</u>
Net Change in Fund Balances	65,564		(13,594)	7,206
Fund Balances - Beginning	261,611		32,870	34,775
Fund Balances - Ending	<u>\$ 327,175</u>	<u>\$</u>	<u>\$ 19,276</u>	<u>\$ 41,981</u>

CARROLL COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2004
(Continued)

Parks and Recreation Fund	911 Fund	911 Wireless Fund	Total Non-Major Governmental Funds
\$	\$ 72,700	\$	\$ 72,700
		45,847	310,116
59,693			59,693
10,062			13,910
93	2,183	664	4,318
<u>69,848</u>	<u>74,883</u>	<u>46,511</u>	<u>460,737</u>
	89,292	43,962	172,578
			236,987
168,690			284,388
			39,184
16,379	534		35,955
<u>185,069</u>	<u>89,826</u>	<u>43,962</u>	<u>769,092</u>
<u>(115,221)</u>	<u>(14,943)</u>	<u>2,549</u>	<u>(308,355)</u>
99,327			339,243
	(3,150)		(3,150)
<u>99,327</u>	<u>(3,150)</u>		<u>336,093</u>
(15,894)	(18,093)	2,549	27,738
39,545	55,174	41,741	465,716
<u>\$ 23,651</u>	<u>\$ 37,081</u>	<u>\$ 44,290</u>	<u>\$ 493,454</u>

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harold "Shorty" Tomlinson, Carroll County Judge/Executive
Members of the Carroll County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Carroll County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 27, 2005. Carroll County presents its financial statements on the modified cash basis of accounting which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Carroll County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Carroll County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
May 27, 2005

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

CARROLL COUNTY FISCAL COURT

For The Year Ended June 30, 2004

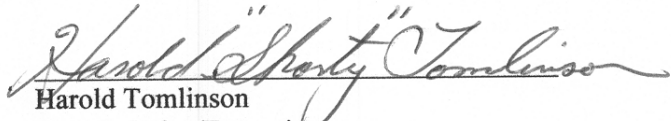
Appendix A

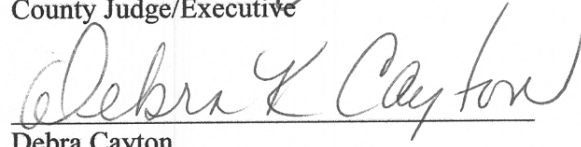
CERTIFICATION OF COMPLIANCE

LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
CARROLL COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2004

The Carroll County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


Harold Tomlinson
County Judge/Executive


Debra Cayton
County Treasurer